

Wealth Markets and Commerce

Finance - Economics

WALL STREET OFFICE:
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Wall Street was disturbed last week by Mr. McAdoo's plea for an extension of the Federal control period, but not nearly so much as it was by the threatened alternative; that is, early release from control without first securing remedial legislation. The prevailing opinion was that adoption of either of these proposals would mean government ownership in the end, since, under the first scheme, the transportation system would become so thoroughly unified as to make separation impossible, and, under the second, widespread insolvency, necessitating government intervention, would probably ensue. It is only necessary to consider the operating statistics to appreciate that immediate return, without corrective legislation, might easily prove to be disastrous to the roads, and to the stock market as well. Take first the record of gross earnings in the last four months for which returns are available, as compiled by "The Commercial and Financial Chronicle":

	1918.	1917.	1916.	1915.
July.....	\$463,684,172	\$117,621,311	\$117,621,311	\$117,621,311
August.....	498,269,356	135,759,795	135,759,795	135,759,795
September.....	487,140,781	129,367,931	129,367,931	129,367,931
October.....	484,824,750	106,956,817	106,956,817	106,956,817

These figures show not only a decline in the increase over last year, but, what is more disturbing, in the actual amount of business done, and, with the commercial world in a hesitating mood, it is altogether probable that the reduction in gross in November and during the current month, at least, will be substantial. Meanwhile, there is no sign of a turn in the tide of expenses, which month steadily. The reason is not hard to find. It is well known that railroads lack that flexibility necessary to permit a quick readjustment in the operating expense account to offset a decrease in gross. At any rate, operating expenses in October were, roughly, \$22,000,000 larger than in August, in spite of a decrease of about \$14,000,000 in gross. The result of these tendencies is shown in a drastic decline in net earnings:

	1918.	1917.	1916.	1915.
July.....	\$144,318,082	\$4,666,131	\$4,666,131	\$4,666,131
August.....	142,427,118	24,312,758	24,312,758	24,312,758
September.....	117,470,621	3,190,550	3,190,550	3,190,550
October.....	107,088,318	15,493,587	15,493,587	15,493,587

It will be seen that the increase, compared with corresponding months a year before failed to hold in October. Moreover, it should be observed that these figures take no account of taxes, which will reduce them still more. Obviously, the payroll is out of line with earnings. Some way must be found to balance these items and keep them balanced, before Federal control is abandoned. But twenty-one months should be ample time in which to find a solution for this and other difficulties.

Money and Credit

Net demand deposits of the New York Clearing House banks increased \$88,628,000, to a total of \$3,379,499,000, last week, while surplus reserves decreased \$30,747,160, to \$39,869,510. Loans and discounts expanded only \$2,687,000, however, amounting to \$2,673,000,000. The large expansion in demand deposits probably was due in part to the transfer of funds from government to private account as a result of payments on war contracts. On the week's operations United States government deposits decreased from \$210,747,000 to \$167,006,000.

Commercial rediscounts and advances of the Federal Reserve Bank of New York last week amounted to \$73,315,000, a decrease of about \$10,000,000 compared with the preceding week. Rediscounts and advances against United States government obligations decreased from \$669,540,753 to \$624,952,670 during the week.

Bank Acceptances.—The demand for bank acceptances was moderately active. Rates were unchanged, as follows:

Spot delivery	Thirty days	Sixty days	Ninety days
Eligible member banks.....	4 1/4	4 1/4	4 1/4
Eligible non-member banks.....	4 1/2	4 1/2	4 1/2
Ineligible bank bills.....	5 1/2	5 1/2	5 1/2

For delivery within thirty days: Percent.

Discount Rates.—The following table gives the current rates of the twelve Federal Reserve banks on commercial paper for all periods up to ninety days:

Within 15 days	15 to 30 days	30 to 60 days	60 to 90 days
Boston.....	4 1/4	4 1/4	4 1/4
New York.....	4 1/4	4 1/4	4 1/4
Philadelphia.....	4 1/4	4 1/4	4 1/4
Cleveland.....	4 1/4	4 1/4	4 1/4
Richmond.....	4 1/4	4 1/4	4 1/4
Atlanta.....	4 1/4	4 1/4	4 1/4
Chicago.....	4 1/4	4 1/4	4 1/4
St. Louis.....	4 1/4	4 1/4	4 1/4
Minneapolis.....	4 1/4	4 1/4	4 1/4
Kansas City.....	4 1/4	4 1/4	4 1/4
Dallas.....	4 1/4	4 1/4	4 1/4
San Francisco.....	4 1/4	4 1/4	4 1/4

The Federal Reserve Bank of New York has put in force the following schedule of rediscount rates which apply to bankers' acceptances: Maturities up to 15 days, 4 per cent; 16 to 60 days, inclusive, 4 1/4 per cent; 61 to 90 days, inclusive, 4 1/2 per cent.

Bank Clearings.—Bank clearings, yesterday were:

Exchanges	Balances
New York.....	\$629,835,706
Baltimore.....	14,134,364
Boston.....	50,562,502
Philadelphia.....	67,088,802

Sub-Treasury.—The Sub-Treasury gained \$56,000 from the banks on Friday.

Silver.—London, 48 1/2, unchanged; New York, 101 1/4, unchanged; Mexican dollars, 77 1/2, unchanged.

Bank of Germany.—The statement of the Imperial Bank of Germany, issued December 7, shows the following changes, in marks:

	Dec. 7.	Dec. 6.
Total coin and bullion	326,000	326,000
Gold	475,000	475,000
Treasury notes	189,585,000	189,585,000
Notes of other banks	1,192,000	1,192,000
Bills discounted	26,598,000	26,598,000
Advances	236,000	236,000
Investments	2,308,000	2,308,000
Other securities	131,874,000	131,874,000
Notes in circulation	565,598,000	565,598,000
Deposits	470,768,000	470,768,000
Other liabilities	7,576,000	7,576,000
Total gold holdings	2,307,883,000	2,307,883,000

The dollar in foreign exchange. In the absence of any important movement in rates in this market last week, dealers in foreign exchange were interested in reports from London that agitation has been begun there for a restoration of normal conditions in the sterling exchange market. Since early in the war sterling rates have been arbitrarily pegged by means of an elaborate system of credit machinery, sight drafts on London may be sold at around \$4.75. The argument is being made in London that the need of bolstering up the sterling market has passed now that the war is ended, and that it will be best for all concerned to let sterling bills take their own course. The matter has not yet been decided, and it has been reported that Sir Edward Holden may visit the United States in this connection.

Neutral exchanges barely moved last week. The volume of business in this department of the exchange market is relatively small. Very little foreign exchange is being made, owing to the fact that goods now being exported were paid for many months ago.

If you calculate the cost of the dollar in terms of foreign money at par value—that is, if you were buying dollars with pounds, marks or francs—its value at the close of last week, as compared with a year ago, would be about as follows:

	Cost of one dollar.	Yesterday.	Year ago.
In English money	1.02	1.02	1.02
In French money	1.05	1.10	1.10
In Dutch money	.95	.91	.91
In Swiss money	.94	.83	.83
In Swedish money	.94	.76	.76
In Russian money	3.82	3.82	3.82
In Italian money	1.23	1.55	1.55
In Spanish money	.97	.80	.80

Closing rates yesterday, compared with a week ago, follow:

	Yesterday.	Week ago.
Sterling, demand	\$4.750	\$4.750
Sterling, sixty days	4.73	4.73
Sterling, cables	4.765	4.765
Sterling, ninety days	4.716	4.716

(Quoted units to the dollar.)

Franks, checks..... 5.45/2 5.45/5
Franks, cables..... 5.45 5.45
Lire, checks..... 6.36/4 6.36
Lire, cables..... 6.35 6.35
Swiss, checks..... 4.91 4.93
Swiss, cables..... 4.89 4.90

(Quoted cents to the unit.)

Guilivers, checks..... 42 1/4 42 1/4
Guilivers, cables..... 42 1/4 42 1/4
Rubles, cables..... 13.00 13.00
Spain, cables..... 20.10 19.95
Sweden, checks..... 29.00 28.60
Sweden, cables..... 29.15 28.80
Denmark, checks..... 26.95 26.60
Denmark, cables..... 27.10 26.90
Norway, checks..... 28.00 27.70
Norway, cables..... 28.15 27.90
Argentina, checks..... 45 1/4 45 1/4
Argentina, cables..... 45 1/4 45 1/4
India, rupees, checks..... 35 1/2 35 1/2
India, rupees, cables..... 35 1/2 35 1/2
Reserve Bank rate..... 35.73 35.73

*Nominal.

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic gold parity, as calculated by the United States Mint:

	Current exchange value.	Intrinsic value.
Pounds, sterling	\$4.75	\$4.86
Franks	0.18 1/4	0.19 3/4
Guilivers	0.42 1/4	0.40 1/2
Lire, checks	0.15 1/2	0.19 3/4
Crowns, (Denmark)	0.26 1/2	0.26 1/2
Crowns, (Sweden)	0.28 1/2	0.26 1/2

Decrease Reported

In Use of Cotton

WASHINGTON, Dec. 14.—Cotton consumed during November amounted to 457,376 running bales of lint and 63,235 bales of linters, the Census Bureau to-day announced.

During November last year consumption was 590,427 bales of lint and 80,084 of linters. Cotton on hand November 30, in consuming establishments, was 1,370,226 bales of lint and 197,815 of linters, compared with 1,405,711 of lint and 89,837 of linters a year ago; and in public storage and at compresses 4,476,539 bales of lint and 90,294 of linters, compared with 3,763,138 of lint and 144,666 of linters a year ago.

Cotton spindles active during November numbered 35,121,507, compared with 33,613,218 in November last year, and 33,613,218 in November last year, and 33,613,218 in November last year.

Imports during November were 26,901 bales, compared with 7,038 in November last year. Exports amounted to 350,000 bales, including 13,432 bales of linters, compared with 418,685 bales, including 9,700 of linters, in November last year.

Gov't Wool Sale

Important to the Textile Industry

Release of Commodity Expected to Restore Market to Stable Basis; Readjustment Problems Worry

BOSTON, Dec. 14.—The editor of "The American Wool and Cotton Reporter" has prepared the following statement for The Tribune:

Announcements that the government has decided to offer at public auction about 15,000,000 pounds of wool in Boston on December 18, 19 and 20 is highly important to the textile industry. It is felt that the prices paid for this wool will tend to bring the wool market to a fairly stable basis and the old law of supply and demand will come into effect. It is understood, although not publicly announced, that there will be a minimum price below which the lots of wool will not be sold. This procedure, as is well known followed at any auction. Woolen manufacturers from all over the country, or their representatives, it is expected, will attend these auctions. As the government owns a vast amount of wool it is intended that wool shall be offered at auctions in January and February in such quantities as the market may require.

The textile industry is confronted with a serious manufacturing problem, to which manufacturers must, individually and collectively, give careful consideration. Since existing conditions cannot be changed, it is perhaps just as well not to criticize past developments but rather to be justly objecting to those who understand what they would lead to; but the problems of the immediate future should receive consideration, and every effort should be made to render the readjustment as easy as possible from every standpoint. The government purchased large quantities of woolen fabrics, and when the war ended about 65 per cent of the machinery in operation was working on government contracts. As the government controls what wool there is available the manufacturer is able to obtain no great amount of the raw material at what might be considered satisfactory prices. Owing to the more or less radical change in buyers' sentiment and because of the great amount of machinery which must be transferred from war to peace orders, the situation has been made decidedly difficult.

To a certain extent the production of government fabrics, up to the rate noted for a period before November 15, and ending December 21, will afford a certain time for readjustment, since the cloth may be delivered up to February 1. This, however, is only a makeshift, and a very unsatisfactory one at that, because a great change must soon occur in the problem of the woolen industry. The difference when the change is made as to the seriousness of it. It does give manufacturers an additional period to plan future operations, but at the same time it might be said that the producer has not been afforded a very good opportunity to plan in advance, since the market is more or less artificial. The problem is, however, a large one for the whole, or at least a large part, of the textile industry at a time when buyers are not interested in placing any large orders and at a time when consumers have been educated into using a somewhat smaller quantity of goods, either through high prices demanded or for any one of a number of other causes. It has been estimated continually that this country's capacity for producing woolen goods is decidedly greater than normal consumption requires. In fact, there are many who have contended that the production is twice as large as is actually necessary—that is, that the efficient 50 per cent of the producing capacity could produce twice as much as is actually required by the demands of distributors. This may not be exactly true, but it is practically certain that there is an overproduction, although this overproduction is owing to the inability to secure sufficient labor to keep the machinery in full operation.

McAdoo Quits Treasury; Glass in Charge To-day

Several Thousand Sing "Star-Spangled Banner" in Honor of Retiring Officer

WASHINGTON, Dec. 14.—Secretary McAdoo said goodbye to the Treasury officials and employees to-day and introduced Carter Glass, of Virginia, who becomes Secretary to-morrow. Several thousand men and women of the force gathered before the steps of the Treasury Building for the ceremony and joined in singing "The Star-Spangled Banner" to the accompaniment of the Marine Band.

Mr. McAdoo made a short speech, thanking his associates for their cooperation, and particularly during the strenuous past months, and the crowd cheered heartily.

Later, in the office Mr. McAdoo has conferred for the last six years, he and Mr. Glass posed for the photographer and moving picture men. Looking up at a painting of one of his early predecessors, which hangs behind his desk, Mr. McAdoo remarked:

"That is how one Secretary of the Treasury looked when he retired. I am getting out before I get that broken, after six years on the job."

LOS ANGELES, Dec. 14.—Secretary of the Treasury W. G. McAdoo has taken a three months' leave on the grounds of ill health, the late George W. Houck, wire wheel magnate, according to a statement made to-day by a real estate dealer. It is said that McAdoo's leave starts on January 1.

CITY TREASURER TRAVIS, OF STAMFORD, ARRESTED

STAMFORD, Conn., Dec. 14.—City Treasurer William N. Travis, who was cashier of the Stamford National Bank for twenty months prior to last October, was arrested this afternoon on a Federal warrant accusing him of issuing a false certificate of deposit for \$8,000. He was released in \$3,000 bail and his case put over to January 6 by the United States Commissioner.

The bank dismissed him in October, after a special audit. Its directors gave out a statement at the time that Mr. Travis had lent \$87,000 against orders, to James A. Sykes, of the Sykes Motor Sales Company, of this city, a

Federal Reserve Banks

WASHINGTON, Dec. 14.—Gold reserves of the Federal Reserve Banks increased \$11,104,000 during the week just ended, according to the consolidated statement of the twelve banks as of December 13, business close. The increase served to increase the ratio of gold reserves against Federal Reserve notes in circulation as money from 59 per cent to 59.5 per cent. The statement, made public to-night, follows:

RESOURCES	Dec. 13.	Dec. 6.
Gold in vault and in transit.....	\$346,516,000	\$353,208,000
Gold settlement fund (F. R. Board).....	487,563,000	422,491,000
Gold with foreign agencies.....	5,829,000	5,829,000

	Dec. 13.	Dec. 6.
Total gold held by banks.....	\$839,943,000	\$781,528,000
Gold with Federal Reserve agents.....	1,167,771,000	1,207,377,000
Gold redemption fund.....	80,821,000	78,496,000

	Dec. 13.	Dec. 6.
Total gold reserves.....	\$2,078,506,000	\$2,067,401,000
Legal tender notes, silver, etc.....	55,758,000	53,966,000

	Dec. 13.	Dec. 6.
Bills discounted: Secured by U. S. war obligations.....	1,483,849,000	1,467,322,000
All other.....	366,694,000	396,362,000
Bills bought in open market.....	366,694,000	371,506,000

	Dec. 13.	Dec. 6.
Total bills on hand.....	\$2,216,057,000	\$2,235,190,000
United States government long term securities.....	29,189,000	29,189,000
United States government short term securities.....	11,477,000	105,606,000
All other earning assets.....	27,000	27,000

	Dec. 13.	Dec. 6.
Total earning assets.....	\$2,256,750,000	\$2,370,019,000
Uncollected items.....	719,591,000	650,039,000

	Dec. 13.	Dec. 6.
Five per cent redemption fund against Federal Reserve Bank notes.....	5,506,000	4,844,000
All other resources.....	18,824,000	22,440,000

	Dec. 13.	Dec. 6.
Total resources.....	\$5,234,934,000	\$5,168,709,000

LIABILITIES	Dec. 13.	Dec. 6.
Capital paid in.....	\$80,492,000	\$80,304,000
Surplus.....	1,134,000	1,134,000
Government deposits.....	161,614,000	185,355,000
Due to member banks—Reserve account.....	1,567,927,000	1,547,838,000
Collection items.....	556,764,000	514,512,000
Other deposits, including for'n gov't credits.....	106,102,000	106,686,000

	Dec. 13.	Dec. 6.
Total gold deposits.....	\$2,392,317,000	\$2,354,390,000
Federal Reserve notes in actual circulation.....	2,604,580,000	2,584,523,000
Federal Reserve Bank notes in circulation, net liability.....	102,202,000	92,799,000
All other liabilities.....	54,209,000	55,559,000

	Dec. 13.	Dec. 6.
Total liabilities.....	\$5,234,934,000	\$5,168,709,000
Ratio of total reserves to net deposit and Federal Reserve note liabilities combined, 49.9 per cent.		
Ratio of gold reserves to Federal Reserve notes in actual circulation after setting aside 35 per cent against net deposit liabilities, 59.5 per cent.		

Federal Reserve Bank of New York

The weekly statement of the Federal Reserve Bank of New York as of December 13, compared with a week ago, follows:

RESOURCES	December 13.	December 6.
Gold coin and gold certificates.....	\$382,262,085	\$307,968,302
Gold in vault and in settlement fund.....	295,227,765	295,558,565
Gold with F. R. agent and in redemption fund—F. R. notes.....	2,010,962	2,010,961
Gold with foreign agencies.....		

	Dec. 13.	Dec. 6.
Total gold reserve.....	\$679,500,812	\$605,538,328
Legal tender notes, silver certificates and subsidiary coin.....	46,667,331	44,417,121
Total reserve.....	\$726,168,151	\$649,955,450

	Dec. 13.	Dec. 6.
Bills discounted and bought:		
Rediscounts and advances—Commercial paper.....	73,313,907	83,703,385
Rediscounts and advances—U. S. obligations.....	624,952,670	669,840,753
Acceptances bought.....	99,521,602	107,882,702

	Dec. 13.	Dec. 6.
Totals.....	\$797,788,079	\$861,426,841
Investments:		
United States bonds and notes.....	43,185,000	39,729,950
Totals.....	\$43,185,000	\$39,729,950
Due from foreign banks.....	3,189,663	3,192,560

	Dec. 13.	Dec. 6.
Total resources.....	\$1,570,330,893	\$1,554,304,802

LIABILITIES	Dec. 13.	Dec. 6.
Capital.....	\$20,772,650	\$20,727,400
Member banks' deposits (net).....	631,700,828	606,846,483
Non-member banks' deposits (net).....	4,473,057	5,577,533
Government deposits.....	37,439,486	14,716,157
Due to other Federal Reserve banks (net).....	18,842,068	49,142,515
Due to War Finance Corporation.....	4,422,576	2,055,750
Federal Reserve notes (net).....	718,518,245	721,543,455
Federal Reserve Bank notes (net).....	30,508,000	27,253,800
Foreign government accounts.....	92,140,883	93,008,105
Other liabilities.....	10,864,017	12,784,238
Surplus.....	649,363	649,363

	Dec. 13.	Dec. 6.
Total liabilities.....	\$1,570,330,893	\$1,554,304,802
Federal Reserve notes outstanding.....	783,692,740	778,538,910
Against which there is deposited with Federal Reserve agent:		
Gold and lawful money.....	270,227,765	270,652,965
Commercial paper.....	797,788,079	861,426,841
Ratio of total reserves to net deposit and Federal Reserve note liabilities combined, 49.5 per cent. Last week, 50.0.		
Ratio of gold reserves to Federal Reserve notes in actual circulation after setting aside 35 per cent against net deposit liabilities, 35 per cent. Last week, 59.8.		